

Coburn Amendment #414— End tax breaks for major professional sports leagues, NASCAR, Hollywood producers, Eskimo whaling captains, and tackle box businesses.

Taxpayers should no longer have to subsidize the operations of major pro sports leagues, NASCAR, Hollywood, tackle box businesses, and Eskimo whaling captains.

Each of these entities benefit from special provisions in the tax code. Most have received unique carve-outs in the tax code. Many major professional sports leagues, including the PGA Tour, ATP Tour, and NFL, have benefitted from a tax-exempt status, a purpose far-removed from the intent of the tax code.

Masquerading as tax cuts, these programs are no different from any other federal program that spends taxpayer money.

Eliminating these special interest tax expenditures will cut spending, reduce the deficit, promote fairness in the tax code, and pave the way for reducing tax rates for all Americans and small businesses.

By paving the way for legislation to eliminate the tax breaks used by professional sports leagues, NASCAR, Hollywood, Eskimo whaling captains, and tackle box tycoons, tax savings could be over \$3 billion over the next 10 years.

Major professional sports leagues:

The PGA Tour, ATP Tour, NFL, NHL, and Professional Rodeo Cowboys Association, among others, are taking advantage of section 501(c)(6) of the tax code, which is intended for not-for-profit business associations trying to promote certain industries, without benefiting any specific business within. The Intermountain Logging Conference or U.S. Chamber of Commerce fit the scope of the section.

The tax-exempt offices of these leagues earned \$1.4 billion, \$65.4 million, \$184.3 million, \$89.1 million, and \$11.7 million in 2010, respectively.¹ NFL and NHL league office revenue generally comes from dues paid by teams,

while PGA Tour's revenue is largely derived from selling television and sponsorship rights. Collectively with their subsidiary organizations, these leagues generate over \$13 billion in revenue annually.

A complex array of subsidiaries and holding companies makes estimating the foregone revenue from tax-exempt status difficult. However, if the PGA Tour alone were a for-profit business subject to corporate income taxes, **the federal income tax liability on the tour's \$1.4 billion in revenue may amount to over \$300 million annually.**²

NASCAR:

The NASCAR tax break allows the cost of NASCAR tracks or "motorsports entertainment complexes" to be written off over seven years as compared to 15 to 39 years for similar non-residential real property. The International Speedway Corp, which owns the Daytona Speedway and 11 other tracks, has qualified for approximately \$38 million in tax benefits from this expenditure.³ **This tax break has been extended several times since its creation in 2004, and will cost the federal government about \$400 million over the next decade.**

Hollywood:

The Hollywood tax break allows entertainment companies to deduct up to \$15 million in certain costs associated with production of television episodes and movies in which at least 75 percent of compensation costs are for work performed on U.S. soil. Many states also have a tax break for to incentivize movie productions; however, it is unclear if any of the state or federal Hollywood tax breaks bring in enough revenue to offset the cost of the tax break. Subsidizing this multi-billion dollar industry is a wasteful use of scarce taxpayer dollars. The top movie of 2011 brought in more than \$232 million in one month, and netted a profit in the first weekend alone. **This tax break costs the federal government at least \$30 million a year.**

Tackle boxes:

The tackle box tax break reduces the excise tax paid by manufacturers, producers, and importers of fishing tackle boxes from 10 percent to 3 percent. However, other fishing equipment such as fishing rods and poles, fishing reels, lures, and hooks are still subject to a 10 percent excise tax, capped at \$10. **Ending this carve-out would save \$11 million over the next 10 years.**

Eskimo whaling captains: The tax break for Eskimo Whaling Captains allows Native Alaskan whaling captains to claim up to a \$10,000 charitable tax deduction for donating whale meat, despite the fact commercial whaling is banned in U.S. territorial waters. However, only captains recognized by the Alaska Eskimo Whaling Commission qualify to receive the tax break. **Ending this tax break would save \$4 million over the next 10 years.**

¹ All 2010 revenue figures for league offices come from each organization's Form 990 for 2010, available at guidestar.org.

² This figure is estimated by subjecting the PGA Tour's \$1.4 billion revenue to the 35 percent corporate tax rate.

³ Back in Black: "Reforming tax expenditures & special interest giveaways,"

http://www.coburn.senate.gov/public//index.cfm?a=Files.Serve&File_id=90c095d7-12e7-4e29-af57-4b83e0ddcb74.